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C O N F I D E N T I A L ZAGREB 002496

SIPDIS

DEPARTMENT FOR EUR/SCE (KABUMOTO)

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SUBJECT: WHO WANTS TO MAKE A DEAL? HDZ LOOKS FOR COALITION PARTNERS

REF: ZAGREB 2487

CLASSIFIED BY: POLOFF A.F.GODFREY FOR REASONS 1.5 (B,D)

SUMMARY

1. (C) DESPITE HIS OVERWHELMING VICTORY IN THE NOVEMBER 23 PARLIAMENTARY ELECTION, HDZ PRESIDENT IVO SANADER MAY HAVE TO WORK OVERTIME TO FORM A COALITION. THE HDZ WON 66 OUT OF 152 SEATS IN THE NEXT PARLIAMENT, MAKING 77 THE "MAGIC NUMBER" FOR A GOVERNMENT PROPOSED BY IVO SANADER TO WIN A VOTE OF CONFIDENCE. WHILE WE EXPECT SANADER WILL BE ABLE TO CUT THE NECESSARY BACK-ROOM DEALS TO MAKE UP THIS ELEVEN-SEAT SHORTFALL, IT MIGHT TAKE MORE TIME THAN HE ORIGINALLY EXPECTED. IT MAY BE AS LATE AS DECEMBER 5 BEFORE PRESIDENT MESIC FORMALLY NAMES SANADER AS THE PM-DESIGNATE, AND THEORETICALLY IT COULD BE EVEN LATER. SANADER WOULD NOT BECOME PRIME MINISTER UNTIL LATE DECEMBER AT THE EARLIEST. END SUMMARY.

2. (C) HDZ PRESIDENT IVO SANADER HAS ALREADY TAKEN HIS VICTORY LAP AND SDP PRESIDENT (AND FORMER PM) IVICA RACAN HAS ALREADY CONCEDED DEFEAT AFTER THE NOVEMBER 23 ELECTION, BUT SANADER STILL NEEDS TO LINE UP COALITION PARTNERS TO ENSURE HE HAS A MAJORITY IN THE NEW PARLIAMENT. BEFORE PRESIDENT MESIC WILL OFFICIALLY NAME SANADER AS THE PM-DESIGNATE AND INSTRUCT HIM TO FORM CROATIA'S NEXT GOVERNMENT, SANADER MUST DEMONSTRATE THAT HIS PROPOSAL WILL PASS A VOTE OF CONFIDENCE.

3. (C) THE NUMBER OF SEATS IN CROATIA'S PARLIAMENT IS NOT FIXED BEFORE ELECTIONS. PARLIAMENTARY SEATS ARE AWARDED TO A DISTRICT MADE UP OF OUT-OF-COUNTRY VOTERS (THE "DIASPORA DISTRICT") BASED ON VOTER TURNOUT. ENOUGH DIASPORA VOTERS TURNED OUT ON NOVEMBER 23 TO SEAT FOUR MPS, BRINGING THE TOTAL NUMBER OF MEMBERS IN CROATIA'S NEXT PARLIAMENT TO 152. THAT MEANS SANADER NEEDS 77 VOTES TO WIN A VOTE OF CONFIDENCE FOR HIS GOVERNMENT.

4. (C) SANADER HAD EXPECTED TO BE ABLE TO RELY ON THE SUPPORT OF A GROUPING OF THE HSLS/DC, BUT THOSE PARTIES FARED FAR POORER THAN EXPECTED ON ELECTION DAY AND TOGETHER WON ONLY THREE SEATS. THE HDZ TOLD THE AMBASSADOR ON NOVEMBER 24 (REF) THAT THE HDZ WOULD SEEK TO MAKE A DEAL WITH THE CROATIAN PEASANTS' PARTY (HSS) TO AVOID HAVING TO FORM A GOVERNMENT WHICH WOULD INCLUDE THE RIGHT-WING CROATIAN PARTY OF RIGHT (HSP). THE HSS HAS ALREADY INDICATED THAT IT IS WILLING TO DEAL, BUT WITH ONLY TEN SEATS, THE HDZ WILL HAVE TO MAKE AN OFFER TO THE HSLS/DC AS WELL.

5. (C) HSS PRESIDENT ZLATKO TOMCIC WILL TRY TO DRIVE A HARD BARGAIN. WHILE THE HSS WAS A RELIABLE COALITION PARTNER FOR RACAN'S SDP, IT OPPOSED SOME ECONOMIC REFORMS AND BLOCKED ANY AGGRESSIVE PRIVATIZATION POLICY. SINCE THE ELECTION, TOMCIC HAS MADE PUBLIC THE HSS CRITERIA FOR JOINING A COALITION: A MORE DELIBERATE PACE OF ECONOMIC REFORM WITH A STRONGER STATE ROLE; WE WILL HAVE TO WAIT AND SEE HOW FAR SANADER IS WILLING TO BEND. THE HSP, HOWEVER, HAS BEEN PUBLICLY SIGNALING ITS WILLINGNESS TO COMPROMISE ON ANY ISSUE -- EVEN COOPERATION WITH ICTY -- JUST TO GET INTO GOVERNMENT. THE HDZ WELL UNDERSTANDS THAT THE HSP'S NATIONALIST BAGGAGE WOULD NOT HELP CROATIA'S ASPIRATIONS FOR EU AND NATO MEMBERSHIP. BUT IF SANADER CANNOT MAKE A DEAL WITH TOMCIC, HE WILL NEED EVERY ONE OF THE HSP'S EIGHT SEATS AND ALL THREE FROM HSLS/DC TO HAVE A ONE-VOTE MAJORITY IN PARLIAMENT.

6. (C) IN A NOVEMBER 25 MEETING WITH THE DCM, PRESIDENT MESIC'S ADVISER IVICA MASTRUKO TOLD US THAT MESIC WOULD BEGIN FORMAL CONSULTATIONS WITH POLITICAL LEADERS ON NAMING SANADER AS PM-DESIGNATE BY THE END OF THIS WEEK OR EARLY NEXT WEEK. MASTRUKO SAID THAT MESIC WILL INSIST ON SEEING SIGNED AGREEMENTS FROM SANADER'S FUTURE PARTNERS PLEDGING THEIR SUPPORT. MASTRUKO WAS CERTAIN THAT SANADER WOULD EVENTUALLY BE NAMED AS PM-DESIGNATE, BUT REJECTED HDZ ASSERTIONS THAT THE ETHNIC SERB PARTIES MIGHT SERIOUSLY CONSIDER ENTERING A FORMAL COALITION TO SUPPORT SANADER.

7. (C) "OFFICIAL" RESULTS OF THE NOVEMBER 23 ELECTION MAY BE DELAYED. BECAUSE ONE EXTRA, UNACCOUNTED-FOR BALLOT WAS FOUND IN A BALLOT BOX, ELECTIONS WILL BE REPEATED IN ONE DISTRICT OUTSIDE OF ZAGREB ON NOVEMBER 30. THE RESULT OF THIS RE-VOTE

CAN IN NO WAY AFFECT THE OUTCOME OF THE ELECTION, BUT THE
OVERALL RESULTS MAY NOW NOT BECOME OFFICIAL UNTIL AS LATE AS
DECEMBER 5. MASTRUKO SAID THE PARLIAMENT'S FIRST SESSION --
WHERE SANADER AND HIS GOVERNMENT WOULD RECEIVE AN OFFICIAL
VOTE OF CONFIDENCE -- COULD POSSIBLY TAKE PLACE IN LATE
DECEMBER OR MORE PROBABLY IN EARLY JANUARY.
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